

**American Forest Resource Council**

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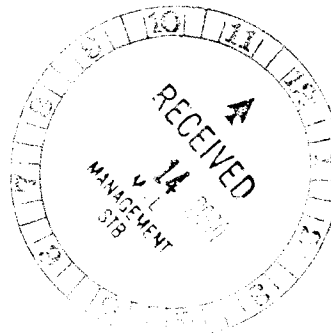
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**Public Record**

November 13, 2000

Surface Transportation Board  
Office of the Secretary, Case Control Unit  
1925 K Street, N.W.  
Washington, D.C. 20423-0001



RE: STB Ex Parte No. 582 (Sub-No. 1)

Dear Surface Transportation Board:

Please accept this letter as the American Forest Resource Council's comments on the above notice of proposed rule making. The American Forest Resource Association (AFRC) is a forest products trade organization representing nearly 100 forest product manufacturers and landowners in twelve states west of the Great Lakes. AFRC's membership represents a cross section of the industry from large multi-national corporations to small family owned operations.

AFRC is a result of a merger between the Northwest Forestry Association (NFA) and the Independent Forest Products Association (IFPA) that occurred in October. NFA was a party of record for the advanced notice of rulemaking and testified at the Board's hearing on March 9, 2000. IFPA also testified on March 9, 2000. Our mailing address is: 1500 SW First, Suite 330, Portland, Oregon 97201.

As we have commented previously, many of our members rely on railroads to transport a portion of their finished products to market. Some are located where they rely solely on Class 1 railroads for their shipping needs. Others utilize shortlines to connect with Class 1 railroads, while some truck their products to a reload usually located on a Class 1 railroad. On average, transportation costs are between 10 and 25 percent of sales value and are the third highest cost of production.

Like coal, grain and several other commodities, the total tonnage of forest products shipped by rail is large, however, our industry has many more producers and even more customers the on receiving end. Thus, our situation is somewhat unique and very vulnerable to potential changes in the North American railroad structure. For that reason, AFRC is very concerned that the Board's new regulations regarding oversight of mergers provide the assurances that our concerns will be considered and acted upon appropriately.

As we have stated before, AFRC has three major areas of concern that we feel should be addressed in any revision to the merger rules, which are: 1) The forest products industry cannot

afford anymore service disruptions or difficulties like those experienced in the last round of major railroad mergers; 2) Any future changes in the North American railroad structure should result in an increased level of competition among the railroads and not further oligopolistic situations that could negatively affect service levels and rates paid by shippers and; 3) Any changes in the North American railroad structure should be both market and trade neutral.

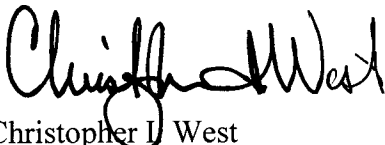
A cursory review of the proposed rulemaking would lead one to believe that all our concerns were being adequately addressed. The new regulations thoroughly describe the types of information required, as well as the level of detail to be submitted with an application of proposed merger. The required information expressly covered our stated areas of concern.

Unfortunately, what our detailed review found lacking was any discussion of how this information will be analyzed and used by the Board in its deliberations on a merger application. There is no discussion of standards or methodologies that the STB would use in evaluating an applicant's submission or public comments on such. Without these details, it would appear to us that the proposed rules are nothing more than a large paper exercise, without substance or teeth.

In conclusion, given the concerns stated above, AFRC had hoped that the STB would promulgate new regulations that authorized the evaluation of any proposed merger on the basis of how it would affect service, competition and, market and trade neutrality. Based on AFRC's review of the proposed rules, it appears that our concerns have not been adequately addressed. If it is the opinion of the STB to address our concerns that new authorizing legislation is necessary, AFRC is ready to work with Congress to get such a bill passed.

Should there be any questions regarding these comments, please contact me at 503-222-9505. Thank you for the opportunity to submit comments on this important issue to our members.

Sincerely,

A handwritten signature in black ink, appearing to read "Christopher J. West". The signature is fluid and cursive, with the first name "Christopher" written in a larger, more prominent script than the last name "West".

Christopher J. West  
Vice President

cc: All Parties of Record on Service List